GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA

UNSTARRED QUESTION NO:931
ANSWERED ON:27.07.2001
UNFAIR LEVY SUGAR PRICES
PRAKASH V. PATIL

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

(a) whether the Government have received any memorandum from Maharashtra State Co-operativeSugar Factories Federation Limited regarding unfair levy sugar prices allotted to Maharashtra; and

(b) if so, the action initiated by the Union Government in this regard ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (S SREENIVASA PRASAD)

(a): Yes Sir,

(b): In the Memorandum it has been stated that the levy sugar prices given to Maharashtra for current sugar season 2000-2001 are not fair. The levy prices have not considered the legitimate conversion cost and also have not considered cane transportation cost from field to the factory.

The zonal ex-factory levy sugar prices are fixed for each sugar seasson as per the provisions of the Essential Commodities Act, 1955 on the basis of the parameters recommended by an expert body. The expert body determines the basic conversion cost schedules and escalation formula after thorough study of the cost structure of the sugar industry. The zonal ex-factory levy sugar prices are calculated after taking into consideration:

(a) cane cost (including cane transportation cost)

(b) Taxes and duties on sugar cane

(c)conversion cost and

(d) return on capital

The ex-factory levy sugar prices vary from zone to zone depending upon various factors like cane cost, recovery percentage, duration, conversion cost etc. For the purpose of levy sugar price fixation, Maharashtra has been divided into three zones. The ex-factory levy sugar prices worked out for all the three zones of Maharashtra for the sugar season 2000-2001 after taking into account the above said factors are given below.

```
Maharashtra (South)    Rs.1169.54 per qtl.
Maharashtra (Central)  Rs. 1119.42 per qtl.
Maharashtra (North)  Rs. 1186.40 per qtl.
```

In the computation of ex-factory levy sugar prices for the three zones of Maharashtra for2000-2001 sugar season, the average cane cost (including cane transportation cost) per quintal varies between Rs.79.69 to Rs.87.22, the average recovery between 10.59% to 11.00% average duration between 118 days to 180 days, conversion cost per quintal of sugar between Rs. 251.61 to Rs. 318.94 etc. and the negative adjustment on account of sale realization from molasses between Rs. 18.42 to Rs.26.13 per quintal of sugar. The ex-factory levy prices for the three zones of Maharashtra have been worked out based on the above factors and there is no anomaly in the ex-factory levy sugar prices of the Maharashtra State.

As regards cane transportation cost, the expert body in their report of February, 2000 have mentioned that if the sugar mills incure some extra cost on cane transportation, it is with a view to enhance their cane availability and sugar production and it results in enriching higher benefits through better free market sale of sugar. The Government after considering the recommendations of the expert body and other relevant factors decided not to consider the cane transportation cost over and above the cane transportation cost already included in Statutory Minimum Price (SMP) of cane.